



# Bulletin

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## New Logo Adopted

As the nation's largest teachers' retirement system, other states increasingly have come to look to the California State Teachers' Retirement System for leadership in issues affecting the public pension arena. The effort to prevent mandatory Social Security coverage for new teachers is just the latest such issue in which CalSTRS influences the national pension picture.

Due to the national, proactive stature CalSTRS has achieved, the Teachers' Retirement Board recently approved a new logo to avoid any confusion with the "STRS" of other states.

The new CalSTRS symbol, above, builds on the existing one by adding the state name and outline. When printed in full color, the state outline is golden, the letters "STRS" are a deep blue with the remaining portions in black.

CalSTRS will phase in the new logo over the next nine months, replacing materials as supplies are depleted to avoid unnecessary costs. By the year's end, the new look will be the single identifying emblem of the retirement system for California's educators.

CalSTRS is also taking steps to legally protect the name and new logo against their unauthorized use by parties seeking to gain commercially by offering products or services that appear to be CalSTRS related. Some private companies have designed logos or developed names or acronyms remarkably similar to STRS, CalSTRS or State Teachers' Retirement System. Legal registration of the name *continued on next column*

## Health Care Benefits Feasibility Now Under the Microscope

Is a health care benefits program for teachers and retired teachers needed? That long-standing question is closer to an answer due to legislation enacted last summer.

CalSTRS is charged with conducting a feasibility study on providing health insurance benefits, including vision and dental care benefits for CalSTRS members, beneficiaries, children and dependent parents.

The process is already underway to learn where health care gaps exist for active and retired teachers and their families. A survey will be mailed in mid-April to approximately 6,000 educators, both member and nonmember, part time and full time. Another 4,000 surveys will be sent to retired and disabled members, as well as spouses receiving benefits. In addition, each California school district and selected state teachers' retirement systems will be questioned about the health benefits they offer.

Valuable assistance to the study will be provided by representatives from the teacher and employer communities.

By the end of August, recommendations based on the survey results will be

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and new logo may help slow down misleading practices by some commercial entities.

If you have any doubts about whether or not you are dealing with a CalSTRS staff person, call the Public Service Office. See page 12 for telephone numbers.

presented to the Teachers' Retirement Board. The recommendations will deal with whether a statewide health care benefits program should be developed by CalSTRS and if so, what services should be provided by such a program.

The second step, based on the board's action, will be to assess what alternative means of administering a statewide health care benefits program are possible, i.e., direct administration by CalSTRS or through a third-party administrator. Other areas to be examined include the integration of health insurance benefits and Medicare and Medi-Cal coverage. Regardless of how the health care benefits program is administered, it will be paid for by participants and/or employers.

Just as it took legislation to mandate the feasibility study, any program resulting from the study would require legislation. Therefore, the final part of the process would be drafting and passage of legislation to establish a health care benefits program.

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# Message from the Chair

By Emma Zink, Chairperson  
Teachers' Retirement Board

**S**pring is here, bringing the time for new ventures. CalSTRS is responding to the season on several fronts.

The start of a new year was marked by CalSTRS with a new logo, adopted to reflect our growing leadership on the national public pension scene. Please read more about this on page 1.

In addition, the Teachers' Retirement Board has two new members: California State Treasurer Philip Angelides and Director of Finance B. Timothy Gage. Phil has made his mark in the civic life of California as an effective leader on public issues and as a successful and innovative businessman. Tim had advised the Legislature on fiscal matters for more than 20 years prior to his appointment by Governor Davis. We're fortunate that both Phil and Tim have long been interested in teachers' issues and have been particularly supportive of improved benefits.

With the spring comes word from the latest actuarial valuation that CalSTRS was fully funded as of June 30, 1998. This means on that date CalSTRS had all the funds required to cover benefits already earned by members of the Defined Benefit Program. The attainment of this long-sought landmark is both gratifying and energizing.

I agree with Marty Mathiesen, the board's retired member representative, when he said at the last board meeting the new health care needs study is "one of the biggest things this board has ever tackled."

This April and May, approximately 10,000 California active and retired educators will be surveyed about their health care services needs. If you receive a survey, please complete it and return it promptly. Your input will be vital to this assessment of the feasibility of providing health insurance benefits, including vision and dental care benefits for active, disabled

and retired members, beneficiaries, children and dependent parents. The story on page 1 provides more information.

Following passage of the new benefits legislation last year, this year finds us addressing policy, administration and the technical cleanup issues through the legislative process.

All in all, this will be a busy year for CalSTRS. We will keep you posted.

## Health Benefits Survey

Are you one of the 6,000 who received a Health Benefits Survey from CalSTRS?

We need your feedback in the development of this program. Please answer the survey questions and mail it in by May 5!

# Ask the Chief

By James D. Mosman,  
Chief Executive Officer

How does the quality approach  
provide value to our members?



**M**uch has been printed in recent years about the quality movement. It is rare to read a business periodical today without seeing some reference to quality, or continuous process improvement, as it's sometimes called. Schools, too, are adopting the philosophy of quality in their work.

CalSTRS has been pursuing its own path to quality for almost a decade. We are proud that our agency is recognized as

being on the leading edge of implementing quality in government. Whether an organization is private or public, we believe the total quality approach is the best way to render top service to our customers.

What is quality? In a generic sense, quality might mean that something is done well or that a product is durable and reliable. We might associate quality products with a particular company or brand. At CalSTRS, we use the term in its business sense: quality means being committed to continuously improving our services and products so we can exceed the expectations of our customers.

When it's done right, total quality is a philosophy that weaves throughout the culture of an organization. It requires active involvement at all levels of the organization and a dedication to continuous learning and the development of staff. It means not just doing the work well but constantly exploring how to do that work better.

The CalSTRS approach to quality begins and ends with the needs of you, the customer. It is this customer focus that drives and informs all our efforts at continuous improvement. When a customer need is identified, we examine

our business processes to see how we can meet it.

To succeed in these efforts, we must stay in touch with our customers and their views. In January, CalSTRS mailed 1,000 customer surveys to a randomly selected group of members. We want to know if you are satisfied with our service. We want to know what we can do to serve you better. We can't improve without this information.

I want to thank those of you who responded to the customer satisfaction survey. Your input is greatly appreciated. We'll use the feedback we receive from the survey to plan our next steps for improvement. With your help, CalSTRS will continue to improve and provide the very best service to you and your families. That's a definition of quality I can be proud of.

## Our Latest Quality Survey Results

In keeping with our efforts to continually improve service to our customers, last year CalSTRS commissioned a study of certain aspects of service provided by our Public Service call center. Study results found the call center performance ranked with the best of similar organizations around the United States and in other countries. See page 5 for details.

### CalSTRS Vision Statement

CalSTRS is committed to lifetime security and service that meets the changing needs of California's educators.

State of California  
Gray Davis, Governor  
Aileen Adams, State and  
Consumer Services Secretary

### Teachers' Retirement Board

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Sherry Reser, Managing Editor  
Susan Skeoch, Editor

Information in this publication about teachers' retirement law or policy is meant as a guide only. If a conflict arises between information contained in this publication and the law, the law takes precedence.

The CalSTRS *Bulletin* is published twice a year for members of the California State Teachers' Retirement System. Comments or suggestions may be directed to: Editor, Public Affairs, MS #34, P.O. Box 15275, Sacramento CA 95851.

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# Mandatory Social Security Topic Still Hot

Jennifer DuCray-Morrill, Chief External Affairs Officer

**S**ocial Security reform is still at the top of President Clinton's agenda in an effort to establish true security for 21st-century seniors. And at the top of the CalSTRS agenda is informing President Clinton and Congress of the facts concerning one potential reform proposal – mandatory Social Security coverage for new teachers. Lawmakers need to know the 12.4 percent payroll tax, to be split between employees and employers, would have an adverse financial impact on the retirement security of active and retired educators and the California educational system.

## CalSTRS Launches Effort

CalSTRS staff vigorously launched a grassroots effort around the state through various face-to-face meetings and briefings, letters, publications and other communications to inform employer and employee groups on this issue. CalSTRS staff is also working with state officials to encourage them to express their views to their Congressional representatives and the White House.

In addition, CalSTRS staff, representatives from other California groups and national organizations have participated in briefing sessions in Washington, D.C., and have joined the debate to express concerns to members of the California

Congressional delegation and to White House staff. The focus is on the financial hardships that would be imposed on state and local government employers and employees if mandatory Social Security coverage were enacted. Members of Congress and their staffs are very interested in knowing the impact mandatory coverage would have on school districts and teachers in their congressional districts.

## Social Security Summit

A summit on Social Security reform was held at the White House in December, where invited guests from across the country had an opportunity to share the highlights of this past year's so-called town meetings that discussed all aspects of Social Security. The summit provided an opportunity for California's teacher representatives to voice strong opposition to mandatory coverage because of the expected adverse fiscal impact to the public school system and potential reduction in teacher retirement benefits.

The perception among some in Washington is state and local governments can raise taxes, cut employee benefits or cut spending for other essential government services to offset the increased federal payroll taxes. CalSTRS actuaries have calculated, under a plan coordinated with

Social Security for newly hired employees, it would cost an additional 7 percent of payroll, more than \$1 billion statewide when fully phased in, to provide the same level of benefits currently provided by CalSTRS.

## Social Security Solvency Act

Although the president's budget proposal did not include a provision mandating Social Security coverage, the threat of mandatory coverage for newly hired public employees has come alive with the introduction of the Social Security Solvency Act of 1999, S. 21, on January 19, 1999, by Senators Moynihan (D-NY) and Kerrey (D-NE). In addition, other mandatory Social Security proposals for state and local employees are sure to surface as the Social Security debate proceeds.

All interested parties are encouraged to continue communicating their opposition to mandatory Social Security coverage to their Congressional representatives. Now is the time to act. Ongoing support of these efforts will play a pivotal role in persuading key White House officials and Congressional leaders that mandating Social Security coverage is not the right solution to reform the Social Security system.

# CalSTRS Earns Professional Achievement Award

CalSTRS once again won the Public Pension Principles Achievement Award. The award is given by the Public Pension Coordinating Council, a national organization established to study pension matters.

To receive the award, a public retirement system must comply with 11 required principles and five exemplary principles related to actuarial valuation and review, benefits, financial reporting and auditing, investments and disclosure.

The award, given every two years, was established to promote high professional standards for public employee retirement systems and to commend systems that adhere to those standards. CalSTRS also received the award in 1996.



# Public Service Call Center Delivers Timely Answers

“State Teachers’ Retirement System, how may I help you?” is spoken about 800 times a day by the 30 Public Service technicians. Fielding up to 17,000 calls a month, technicians answer a broad range of questions accurately and confidentially. They do this in a call usually lasting about three minutes (92 percent to 95 percent of all calls). Most of the time, the caller has had to wait on hold an average of less than one minute.

CalSTRS continually upgrades and improves the operations of its Public Service call center. To help in this process, CalSTRS compares its performance with similar state operations.

In addition, a Customer Service Call Center survey was commissioned by CalSTRS and conducted by an independent business consulting company. The results of the survey showed the CalSTRS Public Service call center compared well to similar call center functions of public and private organizations in the United States, Canada and the United Kingdom.

In particular, CalSTRS ranked “Best in Class” in the following areas:

- responding to customer calls on the first contact—98 percent for CalSTRS
- use of technology to complete incoming calls automatically—47 percent for CalSTRS
- training programs for each employee—15 or more days per year for CalSTRS Public Service staff
- successful combination of functions within the call center—CalSTRS excels at providing flexibility and diversity within the Public Service technicians’ work day

## Technicians Handle Variety of Questions

The Public Service technicians respond to calls not only from CalSTRS members, but also from beneficiaries, employers, attorneys and government representatives. Questions range from qualifications for CalSTRS membership, service retirement, disability, and survivor benefits to specific questions regarding account balances, benefit

adjustments, the processing of particular documents, and tax liability, offsets and other deductions.

In addition to telephone assignments, technicians respond to incoming correspondence related to a variety of topics.

## To Reach a Public Service Technician

Call CalSTRS at 800-228-5453, 916-229-3870 or 916-229-3541 for TDD. Select the Public Service Office option to talk to a technician.

Other sources of information include the 24-hour CalSTRS Teletalk system. Teletalk allows you to request CalSTRS forms and pamphlets and to select from more than 110 pre-recorded messages.

The CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov) also provides information and allows users to download many frequently requested CalSTRS forms. (See page 10.)

## New Member Service Under Development

As one way of improving its high level of service to members, CalSTRS is studying the possibility of an interactive telephone/computer system. This system would allow members to access basic personal account information 24 hours a day, seven days a week while maintaining the confidentiality of each member’s account.

In the future, CalSTRS plans to explore ways to provide members the same kinds of information through the CalSTRS Web site.

## Best Allowance Now Automatic for Pre-Retirement Option Election

**T**he benefits legislation package enacted last fall included both major improvements, such as the new age factors and career bonus, and minor “tweaking” to improve the retirement system. A small, yet beneficial, change to the system involves the way your retirement allowance is calculated if you have made a pre-retirement election of an option. (Electing an option permits your retirement allowance to be paid over both your lifetime and the lifetime of your option beneficiary.)

When you elect an option, your allowance is calculated as a percentage of the unmodified allowance (the highest possible allowance payable to you). That percentage is called the option factor. It reflects the CalSTRS actuary’s estimate of how long an allowance will be paid to

you or your beneficiary, based on your respective ages.

Periodically, the actuary recalculates the option factors to reflect changes in life expectancy. Prior to the new legislation, the option factors in effect at the time of retirement were used in the calculation of retirement allowances. Occasionally, however, using this option factor resulted in a lower retirement allowance than if the factor in effect *at the time of election* was used.

Thanks to the new legislation, at the time you retire, your allowance will be calculated using the highest option factor, either the one in effect on your retirement date or the earlier one in effect when you elected an option before you retired. The system will automatically select the best

option factor and calculate your allowance.

### Weigh the Advantages

There are advantages and disadvantages of making a pre-retirement election of an option that must be assessed on an individual basis. Before making that election, CalSTRS recommends you schedule an appointment with a regional counselor.

To find the regional counselor nearest you, call the CalSTRS Teletalk automated system (see page 12 for numbers) and select message #200. For more about pre-retirement election of an option, select #301. Regional counselor and pre-retirement option information are also available on the CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

## What Sets CalSTRS 403(b) Program Apart

**I**n 1995, CalSTRS unveiled the CalSTRS 403(b) Program for the savvy member interested in enhancing his or her retirement savings. Members can supplement their defined benefit retirement program using pretax dollars that will earn interest while deferring income taxes on both the principal and interest.

This type of salary savings program, a custodial mutual fund account [Internal Revenue Code 403(b)], was authorized by federal legislation in 1986. The programs are available only to employees in the public sector, such as those in schools and nonprofit hospitals. CalSTRS is not the only source for a 403(b) program. Insurance companies, mutual fund providers and brokerage houses also offer them. How, then, is the CalSTRS 403(b) Program different from these others?

### Program Features Best for Members

The main advantage of the CalSTRS program is its low administrative cost. The CalSTRS 403(b) administrative cost is currently set at 0.74 percent. Commercial entities offering 403(b) programs have annual administrative costs that can vary between 1.2 percent and 2 percent. Lower costs mean more of your money is building for your future.

Another important program feature is the oversight provided by the Teachers’ Retirement Board. This is the same trustee body that safeguards your retirement fund and controls more than \$90 billion in investment assets.

Finally, the flexibility to create your own investment portfolio, with choices of more than 2,000 mutual funds, is an

aspect of the CalSTRS 403(b) Program not found in most programs offered by commercial entities.

Thus, the CalSTRS 403(b) Program combines the best features of private-sector salary savings programs with the added security and increased level of comfort, that comes because the CalSTRS program is overseen by your own experienced retirement board.

### For More Information or Enrollment

For more information or an enrollment kit, call 800-699-4032 to talk directly to a State Street Bank 403(b) representative. Representatives are available: Monday–Friday, 7:00 a.m. to 5:00 p.m. Saturday–Sunday, 9:00 a.m. to 5:00 p.m.



## Resources for Choosing a Financial Planner

**M**ost financial planners believe each of us should retire with an initial retirement income that is at least 75 percent to 80 percent of our income just before we retire.

The enhanced CalSTRS benefits can help you achieve 75 percent to 80 percent, if you have a full career as a California public school educator. For example, if you retire at age 63 or older with at least 33 years of service credit, your unmodified CalSTRS retirement allowance will be almost 80 percent of your final compensation (generally, your income just before retirement).

### Not a Lifelong Teacher?

But what if you have not been a teacher your entire working lifetime? What percent of your final compensation will you live on when you retire? Will there be a *gap* between the income you retire with and what you need for a secure and enjoyable retirement? If your retirement income from all sources will not replace at least 75 percent of your final compensation, you may want to increase your personal savings rate. As you accumulate savings, you may wish to consult a professional about how much to save to meet your goals or how to invest your savings.

### Searching for Financial Advice?

Searching for a counselor or investment advisor can be a daunting task. There are several different types of financial advisers to whom you can turn. For example, you can choose a financial counselor to

help you develop a financial plan, or you can talk with an investment or insurance professional about how to manage your savings. Either kind of professional can provide the information you want, but where do you start?

#### CalSTRS Financial Education Workshops

**A CalSTRS Financial Education Program workshop offers information that can help get you started in financial planning for your career and retirement years. Each workshop covers CalSTRS benefits, Social Security and getting started in personal financial planning. To find out more or sign up for a workshop, call CalSTRS, select Teletalk, then select the financial workshop option.**

If you want to talk with a financial adviser, it is important to remember there are no licensing requirements involved in becoming a financial adviser. You can, however, find professionals with recognized training and preparation. A certified financial planner is the most common type of planner. A certified financial planner designation is given by the Certified Financial Planner Board of Standards. A CFP must accumulate three years of professional experience, finish a program of study and pass a two-day exam.

Some other designations are chartered financial analyst and personal financial specialist. CFAs must study, pass three

exams and have three years applicable experience. A PFS must acquire three years experience and pass an exam given by the American Institute of Certified Public Accountants.

### Where to Look?

A quick telephone call can get you information about planners in your community. You can obtain a list of local certified financial planners from the Institute of Certified Financial Planners at 800-282-7526. The International Association of Financial Planning maintains a referral service at 888-806-7526 and can be reached at [www.planningpaysoff.org](http://www.planningpaysoff.org) on the Web. The National Association of Personal Financial Advisors, at 888-333-6659, can also provide local referrals.

### Fee or Commission?

When you sit down with an advisor, be sure to ask how that person will be compensated. Will you pay a fee for the information or will the advisor earn a commission based on your investment transactions or insurance instruments you buy?

With these resources you stand a good chance of finding a helpful and knowledgeable advisor to answer those questions that will help you to retire just the way you want to.

Note: Much of this information first appeared in the *Wall Street Journal*, Personal Finance, November 30, 1998.

# Global Economic Opportunities Impact CalSTRS Portfolio

Patrick Mitchell, Chief Investment Officer

California teacher retirement benefits have never been more secure. Excellent investment returns, coupled with substantial improvement in the California economy, support a rock solid retirement benefit package. Even as financial conditions improve, your Teachers' Retirement Board continues to take diligent action, balancing safety and liquidity with high investment returns.

As Chief Investment Officer, I believe it is important that CalSTRS members and retired members understand the impacts world markets have on the CalSTRS investment portfolio. Therefore, allow me now to discuss globalization of investments, one of the cornerstones of the CalSTRS Investment Management Plan.

## When Global Investing Started



Globalization began after World War II, when improved communication, transportation and technology allowed a more timely and unobstructed flow of information among nations. The dominant theme for forty years (1949 to 1989) was an ideological battle between communism and capitalism. A substantial percentage of the world's wealth was spent creating offensive weapons of mass destruction or defensive mechanisms for protection. The culmination was a truly monumental day in 1989 when the Berlin Wall crumbled along with those ideological struggles.

President George Bush described the post-Berlin Wall period as a "new world order." President Bill Clinton used the phrase "peace dividend." Both terms describe unrelenting changes in the global political and financial framework. These changes have caused substantial financial turbulence in the last ten years. The introduction of reluctant countries to a competitive market environment for the manufacture, processing and consumption of goods and services has created financial chaos as well as financial opportunities.

## Benefits of Competition



While globalization creates financial distortions, there is also a positive correlation between capitalism and wealth creation. Increased competition restrains inflation, which allows lower global interest rates. Lower global interest rates provide lower financing costs (mortgage, business and consumer loans), which encourages higher production and higher consumption, without a corresponding increase in prices.

One result is the development of worldwide manufacturing and distribution, which allows Intel and other companies to offer improved products at lower and lower prices. Another example is the U.S. auto industry where the "Big Three" auto makers compete fiercely with manufacturers from Japan, Germany and Sweden.

The end result is increased efficiency, higher productivity and a better worldwide standard of living.



## Effect on CalSTRS

The CalSTRS investment portfolio has been affected by globalization in two important ways. First, the Teachers' Retirement Board Investment Committee recognized that globalization developments have a tendency to reduce inflation, which would exert pressure over time to reduce global interest rates. Second, globalization developments provide an atmosphere where stocks would have a higher expected return than bonds. Therefore, through the implementation of the Strategic Investment Management Plan, CalSTRS asset allocation targets reflect that:

- stocks (U.S. and non-U.S.) are the preferred investment category for two-thirds of the investment portfolio
- allocations to the bond portfolio emphasize long-duration, high-credit quality U.S. government and U.S. government-guaranteed securities
- allocation to cash and real estate are kept to a minimum

Using these strategies, CalSTRS investments have achieved an excellent annualized compounded total rate of return of 12 percent for the past ten years, while still complying with board guidelines of safety and liquidity.





## Cash Balance Corner

### Earnings Credit Awarded

Even with the stock market fluctuations this past year, the Teachers' Retirement Board was able to award an additional 1.5 percent earnings credit to Cash Balance Benefit Program account balances as of June 30, 1998. The additional earnings credit, on top of the previously awarded 7 percent guaranteed interest rate, effectively provided 8.5 percent in combined earnings credit for the 1997-98 earnings year.

On November 5, 1998, the board voted to grant the additional 1.5 percent on January 1, 1999, to all accounts that had a June 30, 1998, balance. Teachers' Retirement Law specifies any additional earnings credit under the CB Benefit Program is determined as a percentage increase in the participant's account balance as of the last day of the program year.

The credited amount will be reflected on the 1998-99 CB Benefit Program annual statement, which will be mailed to participants the end of August.

This feature is one of the advantages of the CalSTRS CB Benefit Program over other alternative retirement plans.

### Alternative Program May Be For You

CalSTRS has designed a program specifically for educators who work less than full time. Your eligibility is determined by your basis of hiring, that is, your contract, rather than actual hours you work. If you are hired to work on an hourly basis, without a contract, for K-12, Adult Education, Regional Occupational Program or at one or more community colleges, and your employer offers the program, the CalSTRS Cash Balance Benefit Program gives you an opportunity to save retirement dollars for the long term.

CB Benefit Program features include:

- immediate vesting
- variable contribution rates can be bargained
- secure investments
- guaranteed interest rate
- additional earnings credit
- portability to meet the needs of a part-time educator
- options if you leave public school employment
- flexibility at retirement
- no fees or charges for participation
- all employee contributions are pre-tax dollars

### Current Participating Employers

Your employer must agree to offer the CalSTRS Cash Balance Benefit Program, so check the participating employer list below.

#### School Districts or Offices

Berkeley Unified SD  
Contra Costa County Office of Education  
Grossmont Union High SD  
Montgomery Elementary SD  
Robla Elementary SD  
West Contra Costa Unified SD

#### Community College Districts

Antelope Valley CCD  
Chabot-Los Positas CCD  
City College of San Francisco  
El Camino CCD  
Fremont-Newark CCD  
Glendale CCD  
Peralta CCD  
San Jose-Evergreen CCD  
Solano County CCD  
Sonoma County Jr. CD  
Yuba CCD

### Two Funds are Consolidated

Recent legislation consolidated the administrative functions of CalSTRS Defined Benefit Program and CB Benefit Program and their trust funds. The resulting single Teachers' Retirement Trust Fund administers member, partici-

pant and employer contributions to both programs. CB Benefit Program participants can be confident their contributions and credited interest are managed using the same investment decisions guiding DB Program funds.

### Cash Balance Milestones

In less than two years:

- the number of participants jumped from 288 to 5,088
- the Cash Balance Fund passed the \$2 million mark. As of December 15, 1998, the fund stood at more than \$2.49 million



## CalSTRS Adds, Updates Web Site Features

**H**ave you reviewed the CalSTRS Web site recently? When you do, you may be surprised at the amount and variety of subjects available.

Check out the *What's New* main link to learn what has changed on the CalSTRS Web site. You can review details regarding CalSTRS by visiting the *About CalSTRS* links.

The new *Contact CalSTRS* main link lists how to contact CalSTRS by telephone or mail. Also available is the new electronic CalSTRS Feedback Form members can use to provide feedback and suggestions via the Internet regarding non-account related issues.

Teachers' Retirement Board meeting notices and investment portfolio values

are provided monthly on the Web site under the *About CalSTRS* main link.

Using the *External Affairs* link, you can view analyses of current state bills affecting CalSTRS. For more about current legislation, follow the links to the state Legislative Counsel Web site. You can follow a current bill and receive frequent e-mail updates.

[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

### Important Ongoing Features

- Under the *Benefit Program* main link, you can find the CalSTRS Retirement Benefit Calculator where you can produce your own retirement allowance estimates.

The Benefit Calculator has been updated with new age and career bonus factors. Follow the link to contact a regional counselor if you have questions.

- The full text of all Teletalk messages is on-line, as well as information to help you better understand your annual 1099-R form.

- *Related Sites* provides links to other Web sites, including state and federal agencies such as Social Security.

- A popular new feature is the *Publications* section. There you can find a growing number of publications and forms you can download and print. Nine forms, including Direct Deposit Authorization (MS 1130), Address Change Request (MS 0786), and Beneficiary Designation Information (MS 0002) are available, making dealing with CalSTRS easier and faster.

## Nonqualified Service Credit Can be Purchased

**S**ome CalSTRS members can now get "something for nothing" in a way. Beginning January 1, 1999, up to five years of nonqualified service credit or "air time" can be purchased by vested CalSTRS Defined Benefit Program members. (To be vested, a CalSTRS member must have at least five years of service credit.)

The "something" is additional service credit that will raise your monthly benefit allowance when you retire. The "nothing" refers to the definition of nonqualified service credit: credit for service not connected to any specific prior employment.

The cost of purchasing service credit is different for each member, depending on your age, compensation and years of service credit at the time of your purchase. The cost will be lower if you are a younger member, since funds can earn compounded interest over a longer

period of time before you receive your retirement benefit.

### Purchase Examples

Ed is 55 years old, with 17 years of CalSTRS service credit and an annual compensation of \$49,200. Ed decides to purchase three years of nonqualified service credit. Ed's cost to purchase those years would be \$31,447.51. (If Ed had purchased the three years when he was 43, the cost would have been \$12,488.10.) If he retires at age 63 with 25 years of California service credit and annual salary increases of 5.5 percent, the three years of purchased "air time" would increase his monthly allowance by \$453.

You can obtain an estimate of the cost to purchase nonqualified service credit by contacting the CalSTRS Public Service Office. You may compute your own estimate of the cost by using the cost estimator on the CalSTRS Web site. The

cost estimator helps you determine the purchase price for the number of years of service credit you wish to buy or the number of years of credit you can purchase with the funds you have available.

### Payment Methods

Your purchase of nonqualified service credit must be completed prior to the effective date of your retirement or within 35 days of the date of the billing invoice (that specifies the amount you must pay), whichever is later.

You can pay for nonqualified service credit in one of three ways:

- A lump-sum payment within 35 days of the billing invoice date
- Up to 120 monthly installments of not less than \$25 made by direct mail or payroll deduction
- Rollover from a 401(a), 401(k) or qualified conduit IRA. (Funds from a 403(b) do not qualify for a rollover.)



## Proposed 1999 State Legislation

**A** number of bills have been introduced that affect the benefits and administration of CalSTRS.

Benefits contained in legislation summarized here are proposals only. If legislation becomes law, the benefits will become effective on January 1 of the next year, unless the bill provides otherwise. Unless indicated otherwise, any benefit change will apply only to members who retire after the effective date of the bill. CalSTRS will keep you informed about benefit changes to help you make decisions about your retirement date.

### Assembly Bills

- **AB 81 Cunneen**

Provides an earnings limit exemption for CalSTRS members who were retired on or before July 1, 1998, if they are teaching in a high school math or science class, beginning with the 2000-01 school year.

- **AB 311 Honda**

Increases the number of CalSTRS Board members representing K-12 teachers from two to three, deletes the member who is a school board or community college district board member and requires that board members representing active or retired members be elected by their constituency rather than appointed by the governor.

- **AB 335 Mazzoni**

Expands the current earnings limit exemption for K-3 class-size reduction to any class-size reduction program authorized in state law.

- **AB 684 Honda**

Changes the 2 percent simple cost of living allowance to a 2 percent compounded COLA, effective September 1, 2001. This would apply to all benefit recipients.

- **AB 819 PER&SS**

Creates a replacement benefits program in

accordance with Internal Revenue Code Section 415 to pay CalSTRS benefits payable under the retirement formula that exceed the dollar limits on benefits established in section 415. This would apply to all benefit recipients.

- **AB 820 PER&SS**

Allows for the partial redeposit of withdrawn contributions; monthly, rather than quarterly, SBMA payments for all SBMA recipients, effective August 1, 2000; and authority for the board to waive, on a limited basis, current provisions concerning allowance options, such as provisions that restrict when changes take effect.

- **AB 821 PER&SS**

Provides one year final compensation for all CalSTRS members.

- **AJR 9 PER&SS**

Memorializes Congress and the President to not mandate Social Security coverage for newly hired state and local public employees, including CalSTRS members, when enacting Social Security reform legislation.

- **AB 12X Runner**

Enacts the "Rule of 85," in which the retirement age factor is increased to 2% for members who are at least 55 years old, and the member's combined age and service is equal to at least 85, if the employer pays all related benefit and administrative costs to CalSTRS.

### Senate Bills

- **SB 39 Baca**

Increases the career bonus to 0.1 percent after 29 years of service, 0.3 percent after 30 years of service and 0.4 percent after 31 or more years of service, subject to the existing 2.4 percent combined limit on the age factor and career bonus.

- **SB 105 Burton**

Requires CalSTRS to report on corporations which operate in Northern Ireland

and in which CalSTRS invests on the corporations' efforts to meet nondiscrimination goals in Northern Ireland, and for CalSTRS to support shareholder resolutions designed to encourage such corporations to pursue affirmative action policies in Northern Ireland.

- **SB 159 Johnston**

Requires CalSTRS to administer a health benefits program to all CalSTRS members, beneficiaries and their families.

- **SB 318 Burton**

Repeals the current restriction in the Cash Balance Benefit Program that prevents a Defined Benefit Program member from participating in the Cash Balance Benefit Program unless all of that member's employers participate in the Cash Balance Benefit Program.

- **SB 437 Rainey**

Restores survivor benefits to a surviving spouse of a deceased member when the surviving spouse lost eligibility for such benefits because the spouse remarried prior to October 1992.

- **SB 473 Ortiz**

Allows an employer to pay all or a portion of the cost of permissive service credit on behalf of an employee, subject to specified conditions.

- **SB 833 Ortiz**

Provides the career bonus to retired members who return to CalSTRS service for at least one year and accumulate a total of at least 30 years of service and provides all the new benefit enhancements to 1998 retired members.

Although additional new bills probably will not be introduced this year, any bill can be amended to make substantial changes to its provisions. Members are encouraged to use the CalSTRS Web site to monitor the progress of legislation affecting CalSTRS.

## Long-Term Care 1999 Period Open

The popular CalPERS Long-Term Care Program will accept applications in 1999 from April 1 through June 30. CalSTRS members, retired members, their spouses, parents and parents-in-law are eligible to participate.

### What is Long-Term Care?

Long-term care is the extended care needed when, due to chronic illness, injury, or frailty of old age, help is required with basic activities like dressing, bathing or eating. Three plan options are available and the program can cover care provided in the home as well as in a care facility.

### What is the risk and who would pay for it?

- Six out of 10 people older than age 65 will require some type of long-term care.
- The average annual cost of care in a nursing home for 1998 was estimated to be \$47,000.
- Long-term care is usually not covered by health insurance or Medicare.

For an application kit, call the CalPERS Long-Term Care Program direct at the number below. If you do not submit your application by June 30, 1999, you may have to wait until the next application period.

Call CalPERS direct at 800-338-2244  
representatives answer calls 24 hours a day, seven days a week.

## How to reach us...

Call CalSTRS Public Service Office at:  
800-228-5453  
916-229-3870  
916-229-3541 for TDD

Write CalSTRS at:  
State Teachers' Retirement System  
P.O. Box 15275  
Sacramento CA 95851-0275

When contacting CalSTRS, be sure to include your Social Security number.

Browse CalSTRS Web site at:  
[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

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